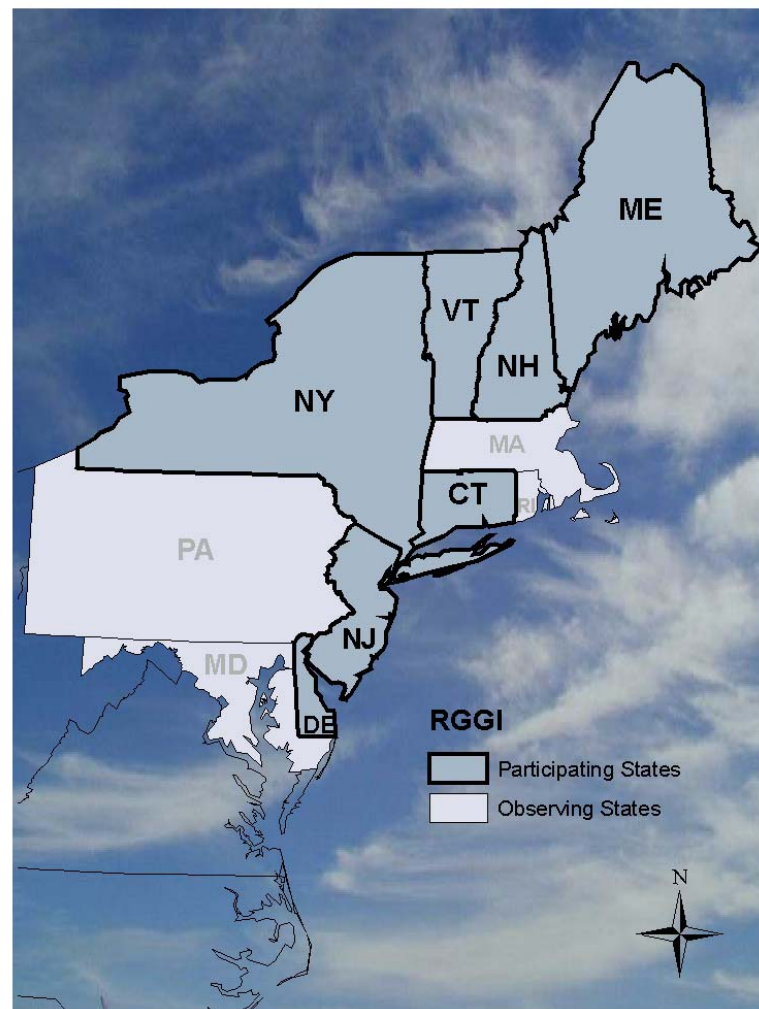


# RGGI:

## Overview of Memorandum of Understanding & Next Steps

CT DEP – February 9, 2006





# RGGI MOU

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- RGGI Memorandum of Understanding signed on Dec 20, 2005 by 7 of the 9 states that were active in forming RGGI framework.
  - Govs of MA & RI have not yet signed.
  - MD legislation recently introduced that may move them to join
- MOU is available online at [http://www.rggi.org/docs/mou\\_final\\_12\\_20\\_05.pdf](http://www.rggi.org/docs/mou_final_12_20_05.pdf)



# **RGGI Basics:**

## **Proposed Program**

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- A cap-and-trade program for CO<sub>2</sub>
- Applies to all fossil fuel-fired electricity generating units (EGUs) with nameplate capacity of 25 MW or greater
  - Potential exemptions for units that sell less than 10% of their energy output to the grid
- Program commences Jan 1, 2009
- Three-year compliance period



# Proposed Program (cont.)

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- Sources may cover up to 3.3% of reported emissions with offsets.
- Unlimited banking of allowances and offsets allowed
- Regional organization will manage emissions & allowance tracking system and evaluate offsets.



# Regional Emissions Cap

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- Two-phase cap:
  - Stabilization at “current” levels for 2009-2014.
  - State budgets are reduced 2.5% per year 2015-2018.
- For the 7 signatory states, overall cap size is 121,253,550 tons.



# Proposed Allocation of State Budgets

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- 25% to be allocated for consumer benefit
- Remaining 75% to be allocated pursuant to state-specific methodology
  - New source set-aside fund to be carved out of individual state budgets
  - For CT, allocation methodology may be similar to that ultimately implemented for the NOx CAIR program



# Consumer Benefit Allocation

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- “Consumer benefit or strategic energy purposes include the use of allowances to promote energy efficiency, to directly mitigate electricity ratepayer impacts, to promote renewable or non-carbon-emitting energy technologies, to stimulate or reward investment in the development of innovative carbon emissions abatement technologies with significant carbon reduction potential, and/or to fund administration of this Program”



# Offsets

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- Initial offset categories: landfill gas capture & combustion, SF<sub>6</sub> capture & recycling at electricity transmission facilities, afforestation, natural gas, propane & heating oil end-use efficiency, methane capture from farming operations, fugitive methane reductions from Nat gas transmission & distribution
- Initial geographic location:
  - Within the U.S., 1:1 ratio if within signatory state, 1:2 ratio if from non-signatory state
- Other categories to be considered in the future



# Offsets Trigger

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- If the avg\* regional spot price for CO<sub>2</sub> allowances equals or exceeds \$7 (2005\$)
  - offsets are allowed from anywhere in North America at a 1:1 ratio
  - The offset limit increases to 5.0% of reported emissions
- Assuming that these actions bring the price back down below the trigger price, the offset limitations reset to initial levels



# Safety Valve Trigger

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- If the avg\* regional spot price for CO<sub>2</sub> allowances equals or exceeds \$10 (adjusted by CPI + 2%) (2005\$):
  - The compliance period may be extended by up to 3 one-year periods
- If prices stay above this \$10 (adjusted) trigger for 2 consecutive 12-month periods, then:
  - offsets are allowed from anywhere in North America or from any international trading program at a 1:1 ratio
  - The offset limit increases to 20% of reported emissions in the “extra” years of a given compliance period
- Assuming that these actions bring the price back down below the trigger price, the safety valve limitations reset to initial levels



# Program Review in 2012

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- Signatory states will commence a comprehensive review of RGGI, including:
  - Program success
  - Program impacts (on price & reliability)
  - Consideration of additional reductions after 2018
  - Imports & Emissions Leakage
  - Offsets



# Potential Imports & Associated Emissions Leakage

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- By April 1, 2006, signatory states will establish a multi-state working group to look into potential leakage. This group shall:
  - Consider potential options for addressing leakage;
  - Consult with a panel of experts, stakeholders and RTO reps
  - Issue findings & conclusions by December 2007
- Based on these findings, signatory states will consider what actions should be implemented prior to the launch of the program.
- Electricity imports will be monitored and reported on an annual basis.



# Model Rule Timeline

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- Dec 20, 2005: MOU signed by 7 states
- Feb 10, 2006: MOU overview and discussion for stakeholders
- Feb 21, 2006: Share initial draft of model rule with agency heads
- March 23, 2006: draft model rule to be released to stakeholders
- March 28, 2006: Stakeholder meeting in NYC to present model rule
- March 28 – May 22, 2006: Outreach in individual RGGI states may take place on a state-by state basis as needed.
- May 22, 2006: Stakeholder and public comments due by this date
- July 6, 2006: Complete revisions to the model rule based on feedback